JUN 27 1950

The Mortgage Banker

JULY
1950

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President's Page

There has been a great deal of federal activity affecting the mortgagee the last sixty days. Senator Maybank has introduced his bill to increase FNMA's authorization and set up private mortgage corporations to make a secondary market. The bill is described completely in our *Washington Letter,* and we expect to appear before the Senate committee with recommendations for making the legislation more workable.

One item of considerable importance is Reorganization Plan No. 22 pertaining to the Federal National Mortgage Association. Our Association has consistently refused to take any stand either for or against this Plan. It was the opinion of the Board of Governors that this was something on which we as a group should not take a position; and this policy has consistently been followed by your officers and committees.

R. O. Deming, Jr.

New regulations pertaining to the purchase of mortgages by FNMA and the affidavit of charges made upon any federally insured or guaranteed mortgage have not yet been issued but we are assured that when issued, they will not be retroactive but will be effective only as of the date of issuance.

Until recent weeks, marketability of 501 loans has been rather clouded. Today, however, the pattern appears to be fairly well defined and 501s are being considered with increasing favor by many of the major life insurance companies of the country. Almost daily we hear of additional life companies advising their correspondents of the acceptability of 501s provided they are 60 per cent guaranteed. This increasing acceptance of the 501 is primarily due first, to a re-analysis on the part of life insurance investment people of the VA Act, second, a practical, common sense approach to the problem as shown by VA's Central Office, and third, the improved appraisal system now being followed under the new Code issued by VA.

It is apparent that the 501 mortgage as now constituted will become a popular investment for life insurance funds in ever increasing amounts.

The nation-wide demand for housing has been far in excess of anyone's expectations. This is due to the extremely liberal terms upon which purchases could be made under federal guaranties. All present indications point to a continuation for at least the next six months and probably for the next twelve of this tremendous building boom which has been such a powerful sustaining factor in our national economy.

With the great power now vested in the President, any trend toward depression will probably force the Administration to use the vast governmental powers to maintain continuous high activity in many fields but especially in the building field. The Administration has indicated it is not afraid of inflation. The administrative branch of government has the powers to inject additional inflation in the national economy when needed, and I believe it will be done.

Public housing seems to have been deliberately slowed down, probably because rising costs and a desire to inaugurate a greater public housing effort later should the private boom slow down appreciably. Thus, the cost of construction which has already had some advance, will probably increase an additional 10 per cent during the next 12 months. Unquestionably we are now in what will probably prove to be the advanced phase of the World War II building boom.

As yet, the procedural methods have not been defined by VA for the handling of the $150 million of direct loans to veterans as authorized in the last Act of Congress. On June 12 a committee of your Association met with the VA in Washington to discuss this matter and to make suggestions along constructive lines; but it is impossible to accurately forecast the form they will take. It is, however, to be hoped that these direct loans will be handled only in those areas not now adequately supplied with a VA outlet and will not interfere with private lenders' activities. The fact that VA wishes to approach the administration of the program in a practical way is clearly indicated by the new regulations just released which permit the reprocessing of 50 per cent guaranteed loans to the 60 per cent guaranty basis and in the hands of the original processor under certain conditions. There are now some 90,000 of these 50 per cent cases incompleted.

It is indeed fortunate for private industry to have the heads of the federal insuring or guaranteeing agencies so well informed and so practical in the approach to their new regulations; and I bespeak the continued cooperation on the part of every member of our group with these agencies.

R. O. Deming Jr.

President
Mortgage Bankers Association of America

MBA CALENDAR

September 27-29 DETROIT, 37th annual Convention and Exhibit of Building, Industry and Services, Statler and Book-Cadillac Hotels.

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And if you'd like additional decalcomanias for your office door or windows, we'll supply them without charge.

The Mortgage Banker

PUBLISHED MONTHLY BY THE MORTGAGE BANKERS ASSOCIATION OF AMERICA

Executive and Editorial Office
111 West Washington Street, Chicago 2

Washington Office:
1001—15th St., N.W., Washington 5, D. C.

THE MORTGAGE BANKER is distributed monthly to members of the Mortgage Bankers Association of America. Publications may reproduce material appearing in the magazine only by permission of the Association. Opinions expressed are those of the authors or the persons quoted and are not necessarily those of the Association. Advertising rates on request. Subscriptions: Of the Limited Regular and Associate dues, $4.00 is for a year's subscription to THE MORTGAGE BANKER, the official monthly publication of the Association. Entered as second class matter at the post office at Chicago, Illinois, under the Act of March 3, 1879.

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The GI Loan Has a New Look

By MILTON T. MacDONALD

OVER the past two years or more, as every mortgage investor knows, the GI 501 loan has been a sort of wallflower in most investment planning. Before that, when stag lines were longer, the gal got a whirl. But as portfolios swelled, she became neglected in favor of her more profitable contemporaries, the conventional and FHA loans. The 4 per cent maximum rate for GI loans simply placed too tight a squeeze on the spread between gross yield and the necessary expenses of acquisition, servicing and overhead.

M. T. MacDonald

The originators of the GI loan were understandably zealous in assuring maximum advantages to the veteran borrower. In setting the maximum interest rate at a very low level, eliminating a mortgage insurance premium, together with other—from the borrower's standpoint—advantageous features—all added up to a loan which the veteran could prize as a low-cost credit vehicle, but a vehicle which gambled with possible failure of the program through inadequate lender participation.

During the immediate postwar period when money rates were abnormally low, investors were able to go along with the 4 per cent rate—perhaps not enthusiastically—but nonetheless with the realization that the rate afforded was not too far below available alternatives, and that a point should be stretched in favor of giving the veteran a "break." But as the yield structure began to creep upward, starting in 1947, the conviction became crystallized that the 4 per cent rate was pared too thin to yield a return adequate to attract the investor.

New View of G.I. Loans

So much for the past. It is interesting, true enough, but important only to the extent that it affords a correct basing point or perspective from which to analyze correctly the present and future. While we all have a certain interest in the lessons of history, the astute investor's thinking must be constantly reoriented to assure full awareness of the present and of what portends for the near future.

Those who have thus scrutinized the mortgage outlook over the months immediately past are generally agreed that the GI loan has that "new look." Those who make decisions as to the placement of capital funds in real estate mortgages have realigned their conception of the investment possibilities of the GI loan in the shaping of their present and future investment plans. That has required a certain amount of shaking off cobwebs and preconceptions which have previously dominated much of our thinking.

However, if that restudy is objectively made, the outlines will appear distinct enough, and will compel investors to conclude that in the present setting, as modified by recent legislative and administrative changes, the GI loan shows up very favorably in any comparative test of alternative investment possibilities, when the two basic criteria of risk and yield are considered.

As to the principal risk factor, section 501 loans must as a practical matter be regarded as akin to cash in the vault—or perhaps more precisely as a government bond—virtually riskless in terms of any tenable projection of our future economic and political development. Any possible apprehension over the risk attendant upon the previous maximum guaranty of 50 per cent up to $4,000 should now be completely dispelled by the new higher maximum of 60 per cent and $7,500 provided for in the Housing Act of 1950.

What about yield? Clearly, a 4 per cent gross return is not as high a rate as investors would like to obtain *but*—and this is the crux of the problem—it is about as high a rate as capital can now command *for investments of comparable safety available in quantity.*

It is true of course that conventional loans offer higher yields, but at the same time because of their lower loan-price ratio and their higher financing

The GI 501 loan never had such critical scrutiny as it is getting today with the 505 program not long for this world. Predictions about the shape of things to come run all the way from a premium market later in the year to varying shades of a less optimistic viewpoint.

MBA Vice President Milton T. MacDonald analyzes the 501 market here, not as it was in the recent past but now and as it may likely be in the immediate future.

Mortgage investors ought to reexamine the 501 in terms of its inherent investment attractions and particularly in light of competitive conditions which have made its position more favorable.

The veterans market still runs into the millions, he says, and private mortgage capital can meet the demand and, at the same time, be rewarded by a net return which is near the top for comparable risk-free investments.

cost to the borrower, the outlet for conventional loans is narrowed by the investor's ability to find sufficient borrowers with the requisite equity and ability to pay qualifications. We all share the hope that conventional loans will continue to account for the majority of mortgage originations, but a realistic view requires that we recognize the need for making a tremendous quantity of guaranteed and insured loans, particularly in view of the heavy pressures to invest now being exerted upon most mortgage lending institutions.

The 501 loan came out of the beauty shop first at the beginning of this year. Unquestionably it would have had a big play with the new $7,500 guarantee but hardly had this been put into effect when the FHA rate was reduced to 4¼ per cent making the VA loan even more attractive.

When the differential between the two rates was ½ of 1 per cent, the scales were heavily tipped in favor of the FHA loan, particularly with the VA maximum guaranty at 50 per cent and $4,000. Now, however, with that differential cut in half and the guaranty maxima raised, the relative disadvantage of the GI loan in terms of its gross yield has been considerably reduced.

The narrowed margin in gross yields between the two types of loans becomes even slimmer if consideration is given to a number of intrinsic advantages of the GI loan from the lender's point of view which may have received too little attention from investment officers in the past. These advantages are found chiefly in the VA method of paying claims on default and settling accounts after foreclosure. The four principal advantages which the GI loan offers in this respect over FHA loans can be summarized briefly as follows:

» Payment of the claim is made prior to foreclosure—in cash instead of debentures.

» VA allows all reasonable foreclosure costs (in contrast to the FHA procedure under which only part of the foreclosure expenses are covered by debentures and the remainder by the certificate of claim).

» Allowance of all accrued but unpaid interest through the date of foreclosure sale either in the claim or out of the foreclosure sale proceeds (in contrast to the FHA insurance contract in which unpaid interest is not included in the debenture computation but is covered only in the certificate of claim).

» VA will take title at the option of the mortgagee—subject to the possession of the mortgagor or his tenant.

When the correct significance of each of these factors has been put on the scale, its reading—dependent on the judgment or inclinations of the individual investor—has been found to incline slightly more in favor of the GI loan.

The reading swings over sharply in favor of the GI loan as a lighter premium factor tips the scale.

Perhaps there are flaws in my analysis. Certainly I have eliminated a number of qualifications which might deserve discussion in a more extended treatment of these points, such as some of the difficulties and troubles we have had with legalistic interpretations of various of the VA regulations. But I do think the factors touched upon here demand that mortgage investors carefully reexamine the GI 4 per cent loan in terms of its special intrinsic attractions as well as in terms of the environmental changes which have enhanced its competitive position.

The potential veteran market still runs into the millions and veteran home purchasers understandably are becoming adamant in their demand for the advantageous, low-cost GI loan.

I believe that private mortgage capital can meet that demand and at the same time be rewarded by a net return which is near the top for comparable risk-free investments. And by meeting that demand the managers of private capital can forestall the very real threat posed by those who propose to pour government funds into any area where private lending shows signs of faltering.

Mr. MacDonald's view that GI business will run into millions more is shared by the VA. Thomas J. Sweeney, assistant director of the Loan Guaranty Service, estimates that about 2,000,000 additional veterans will be seeking loans, representing an investment total of more than $10 billion before July 1, 1957, when the guaranty benefit will expire for most veterans. The number of GI loans is running close to 50,000 monthly now.

"With the advent of FNMA, mortgage and real estate companies climbed to the forefront in originations. Currently these companies are placing about 40 per cent of GI loans closed each month, although cumulatively their relative share of originations is less than 20 per cent.

"The proportion of 501 loans made without a down payment has been rising steadily over the past year or more. FNMA funds have undoubtedly played a part in this trend. Currently from 45 per cent to 50 per cent of GI loans being made are not accompanied by an equity payment—as against a year ago when the ratio was only about 20 per cent," Sweeney said.

He laid special emphasis on the need for proper servicing of the nearly 2,000,000 loans now held.

"Servicing understandably may lack the glamor of new loans but in this era when legislative changes have come in an endless procession, there is the danger that our attention may be diverted from the need—of vital importance—for an alert and intelligent approach to the servicing of the tremendous total of GI loans on the books.

"Foreclosures are bad business. From the lender's point of view they are bad because they mean the loss of earning assets and because they foster bad customer relations and loss of future business. An intelligent servicing policy can work wonders in staving off many unnecessary foreclosures."

Noting the excellent repayment record of GI loans so far, Mr. Sweeney cautioned that this is no time for lending institutions to rest on their laurels.

"In the post-war period of prosperity, no real test has yet been offered. But the possibility of economic dislocations—on a local or national scale — must always be borne in mind.

"VA regulations are geared to permit the widest latitude in helping defaulted loans to get back in good standing. Every avenue of these regulations should be thoroughly explored so that servicing policy will be seaworthy if rougher seas are ever encountered."

213 *is a challenge to mortgage lenders*

By WARREN LOCKWOOD
Assistant FHA Commissioner

THE new Section 213 of the National Housing Act, promptly called the "co-op" amendment, places new emphasis on cooperative housing.


Warren Lockwood

While there is nothing particularly original about people getting together for common purposes, such as the production or marketing of food and merchandise, the relationship of cooperative effort to individual homes or apartments on a widespread, national scale takes on a "new look" of quite interesting proportions.

Most lending institutions familiar with the ever-widening scope of FHA activities realize that nonprofit and cooperative provisions were embodied last year in Section 207, the long-established rental housing part of the Act, and some substantial projects got under way here and there around the country. Bell Park Gardens development in New York with 800 units and an insured mortgage obligation of more than $7,000,000 is an outstanding example of what has been accomplished through the joint effort of the State of New York and FHA. Other projects were approved in New York, Detroit, Denver, Oklahoma and elsewhere. These activities were nevertheless greatly obscured by the tremendous volume of rental projects under Section 608 and the equally impressive impact of new single-family homes produced for sale by operative builders everywhere.

Congressional debate preceding the passage of the Housing Act of 1950 is too recent to require review here, and mortgage bankers are keenly conscious of the demand for more adequate measures to meet the needs of middle income groups. Section 213, with its cooperative housing provisions for both management (rental) and sales type units, therefore emerged as the collective effort of both houses of Congress to provide a vehicle broad enough in its scope and direct enough in its aim to make adequate housing available for all segments of the so-called middle income home-seeking public.

It is significant that the kind of financing resulting from this legislation was specifically placed in the hands of FHA with the same basic provisions of mortgage insurance for private lending institutions as in all other parts of its program. A 4 per cent rate is not new. The 40-year term is a maximum not greatly in excess of the 32 years and 7 months available under Section 608, and a level annuity payment to principal of 1.0153 per cent is merely the arithmetical result of the term.

Section 213 provides insurance of advances during construction for both sale and management types, requires the same inspection services, the same underwriting techniques as those employed generally in Section 608 with replacement cost as the upper limit of mortgage amount, except that in Section 213 the replacement costs of both land and improvements are considered.

Congress has placed a special obligation upon the FHA Commissioner to provide consultation and advice to cooperative organizations. For that purpose FHA has set up a division in the Washington headquarters, an assistant commissioner has been appointed to carry on the administrative functions of the division, technical services on legal matters affecting cooperative organizations are available, architectural advice will be available where needed, land planning services will be provided, and a section skilled in the requirements of management will be set up. While the organizational structure has not been completed, it is under way and necessary rules, regulations, and underwriting instructions have been supplied to the field offices. As in the case of all other FHA operations, the first point of contact will be with our field offices, but the special services referred to will be available whenever and wherever called upon to act.

Mortgage bankers in every part of the country have supported the responsibilities of FHA so completely for nearly sixteen years in every phase of its activities, that this latest cooperative effort seems destined for success. Indeed, it is incomprehensible that such a direct challenge will be overlooked by able and foresighted mortgage lenders. The record of the past leaves little room for doubt.

The new Section 213 of the Housing Act, the co-op part of the legislation, should work and will work, says Mr. Lockwood in this article for The Mortgage Banker. *Section 213 provides insurance of advances during construction for both sale and management types, requires the same inspection services and the same underwriting techniques as those employed generally in 608 with replacement cost as the upper limit of mortgage amount except that in 213 the replacement costs of both land and improvements are considered. Mr. Lockwood doesn't say so in this article but he did say in an address before the New York MBA that "without entering into any debate on the public housing issue, the extent to which builders actively participate in supplying the need for middle-income housing under this program will be a factor in any future decisions on the question of reviving the demand for such housing by direct government aid."*

That conclusion must be pretty obvious to every mortgage man and another reason why all lenders should give every consideration to the business that can be done under 213.

E. J. Kelly, FHA director for Illinois, stated the case for 213 in somewhat different terms at the recent Chicago MBA meeting devoted to an analysis of the new act.

"It's clear," he said, "that the Administration is dedicated to 213. You people can oppose public housing all you want to but you should have an alternative. This is it. You should support 213."

Point Reached of Taxes Outstripping Savings

We are really in a high tax period when savings only represent 65c for every $1 paid in federal income taxes

CONTRARY to the pattern that normally prevailed in the past, the American people as a whole have been paying far more in personal income taxes alone in the postwar years, from 1946 to date, than they have been putting aside in savings in the period for their own future security and that of their dependents.

This development is shown in official government figures on the long-term trend of federal income taxes and personal savings and their relationships over the past three decades. It therefore provides a further significant insight into the personal as well as economic impact of the great growth in the cost of government since prewar; for income taxes, as is well known, represent only part of the people's tax bill.

Last year, for example, the people as a whole paid the federal government a total of $18.1 billions in income taxes, according to U. S. Treasury figures. Department of Commerce statistics show that aggregate personal savings for the year amounted to $11.8 billions. This means, therefore, that the people's combined savings in 1949 represented only 65 cents for every dollar paid in federal income taxes.

Not Like in Old Days

Similar comparisons for the other three postwar years show that personal savings were the equivalent of 57 cents per dollar of federal income taxes in 1948, as low as 26 cents per dollar in 1947, and 55 cents per dollar in 1946. For the four postwar years together, federal income taxes paid by the people as a whole added up to a total of $77.1 billions. Overall personal savings for the period aggregated $39.2 billions. Thus the people's combined savings since 1946 have come to barely more than half the aggregate federal income tax payments in the period.

These relationships between personal savings and income taxes are in marked contrast with those that are found in the past. Records going back to the first World War period show that in most years prior to 1946, except for a few in the '30s, people as a whole usually saved two or three times as much annually as they paid in federal income taxes in each year. The savings ratio was very much higher in some of the recent war years, but that was as abnormal in this respect as the depression years with their widespread dissaving.

The dominant reason for the reversal in the customary savings-to-income taxes relationship is to be found in the extent that the cost of government, and hence the tax burden to support it, has increased since prewar. It can not be attributed to any abnormally high spending by consumers as a whole, any such impression to the contrary. As a matter of fact, official government statistics show that aggregate personal spending has been playing a relatively smaller role in the postwar business boom than in previous periods of peacetime prosperity, as shown by relationships between aggregate personal consumption expenditures and gross national product from the '20s to date.

MORE TAXES EVERY YEAR

This table presents long-term relationships between annual federal income tax payments and yearly personal savings (in billions of dollars):

Year	U.S. Income Taxes	Personal Savings	Ratio (a)
1925-29 total	$4.6	$15.7	$3.40
1930-34 "	3.2	1.9 (b)	.59
1935-39 "	4.6	13.0	2.83
1940-44 "	30.6	104.7	3.42
1945	19.0	28.0	1.47
1946	18.7	10.3	.55
1947	19.3	5.1	.26
1948	21.0	12.0	.57
1949	18.1	11.8	.65

(a) Personal savings per dollar of Federal taxes on individual incomes.

(b) Years 1932 to 1934, inclusive, showed $2.8 billions of dissaving.

Sources: U.S. Treasury; Department of Commerce; Institute of Life Insurance.

As far as federal personal income taxes alone are concerned, in 1939 and 1940 they added up to a billion dollars a year. Last year the total bill was just 18 times as much. This rise dwarfs the increase in the aggregate dollar amount of personal savings in the period, which in 1949 were some fourfold higher than in 1939.

There Are Taxes—and Taxes

Besides, there is much more to the personal tax bill than federal income taxes alone, great though these may be. More than half the states, for example, also impose income taxes and in 1949 collected an estimated $575 millions from this source. In the last decade, too, scores of cities and other local government bodies in various parts of the country have adopted income taxes for residents in their search for new sources of revenues. Nor must the billions of dollars that the people pay annually in sales and other excise taxes—State and local as well as federal—be forgotten either with regard to their impact on personal incomes and hence on the people's margin for spending as well as saving.

In overall dollar amounts the current rate of individual saving would seem to compare favorably with prewar standards, judged by relationships to personal income. But conditions are fundamentally different now than before, and former yardsticks with respect to savings are as outdated as prewar styles.

One of the basic changes in the last decade is that the dollar has lost so much of its buying power. It is now worth only 60 cents as compared with 1939, according to Bureau of Labor

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One Thing That's Not Worrying the Farmers

It's the charges on their farm mortgage debt which amount to seven-tenths of one per cent in relation to cash farm income

ALONE among the major items in the cost of running the nation's agricultural establishment, aggregate interest charges on the farm mortgage debt have shown a marked decline in recent years and are now at the lowest level on record in relation to cash farm income, according to data from the Department of Agriculture.

This development contrasts sharply with the trend of other farm costs, which have doubled and more in the last decade. It reflects a combination of factors including the big rise in farm income in the period, substantial net mortgage reduction as compared with prewar, and lower interest rates charged by principal farm mortgage lenders among which the life insurance companies are prominent.

Department of Agriculture figures show that in 1948, the latest year available, farm mortgage interest charges in the aggregate added up to $229 millions. This was somewhat above the comparable figures for the three preceding years, reflecting an uptrend in aggregate farm mortgage debt in the postwar period, but except for these it was the lowest such total for any year since 1912. In 1939 farm mortgage interest charges exceeded $300 millions, or 25 per cent more than the 1948 figure.

Fractional Part of Income

Related to agriculture's earnings, farm mortgage interest charges in 1948 represented only 7/10 of one per cent of cash farm income. This was the same proportion as in 1947 and was the lowest such relationship for the four decades since 1910 for which statistics of this nature have been compiled.

As a matter of fact, prior to 1941 farm mortgage interest charges consistently took more than 3 per cent of cash farm income annually. After the first World War, the proportion of aggregate interest charges to total cash farm income went up sharply from the wartime level and rose to about 8 per cent in 1921 and 1922, in contrast with the present downtrend. The record high relationship for such charges, 11.1 per cent, was established in 1932 when the mortgage debt burden played an important role in the agricultural distress of the period.

The peak of farm mortgage interest rates was reached in 1923 when they averaged 6.4 per cent for all lenders. Since then the rate has gone steadily downward and in 1948 it averaged 4.6 per cent for all lenders, a decline of 28 per cent from the high. Average rates charged by government agencies and life insurance companies are lower than those of other principal lenders, and have consistently been so. Government lending agencies and life insurance companies hold approximately two-fifths of the outstanding farm mortgage debt.

As an indication of the trend of other agriculture costs in the last decade, materials and supplies used in production were 105 per cent higher in 1948 than in 1939. Wage rates alone increased 230 per cent in the period. Farmers' living costs advanced sharply at the same time, with prices paid for family maintenance showing an increase of 125 per cent between 1939 and 1948.

THE FARMER'S GOOD FORTUNE

This table gives farm mortgage interest charges and cash farm income (000,000 omitted), and their relationship, for selected years from 1910 to the present:

Year	Mortgage Interest Charges	Cash Farm Income(a)	Ratio(b)
1910	$203	$5,793	3.5%
1915	314	6,403	4.9
1921	653	8,150	8.0
1929	582	11,296	5.2
1932	526	4,743	11.1
1939	305	8,684	3.5
1945	220	22,289	1.0
1946	216	25,636	.8
1947	222	30,328	.7
1948	229	30,802	.7

(a) From farm marketings, including Government payments.

(b) Interest charges as percentage of cash farm income.

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

Farm Debt Low But Rising

Of great importance, too, in today's farming costs is that a much larger proportion of expenses now represents cash outlays than before. A major reason is mechanization with its widespread substitution of machines for animal power. A larger share of farm family living costs are now cash expenses as well, reflecting the rapid electrification of rural homes in recent years and the general rise in farm living standards. And there is also the factor of the greater tax burden, which has had its impact on the farmer as well as the general population.

Farm mortgage debt as of the first of this year was estimated at $5.5 billions. This figure represented a gain of about $800 millions above the 32-year low of $4.7 millions established at the beginning of 1946, but it was still a billion dollars below the total farm mortgage debt at the start of the war.

POINT REACHED OF TAXES

(Continued from page 6)

Statistics living cost figures. Of equal importance, too, is the urge and drive for individual security that is so manifest today. Thus people at large need to save more than in the past if their security hopes are to be realized by their own efforts and on their own initiative and responsibility, the traditional way in this country.

WE NEED HOME CONSTRUCTION *that's SAFER from FIRE*

And lenders ought to think about this problem at the time they make the loan

By HENRY J. WINGATE

FROM the standpoint of fire-safety and personal injury hazards, most houses being built today are safer structures than those built 25 or 30 years ago during the nation's last big building boom. They can be made even safer by the adoption in every community of the new basic performance-type building code prepared by the Building Officials' Conference of America.

Primary object of the President's Conference on Fire Prevention is the modernization of existing building codes and the adoption of up-to-date regulations where none exist so that greater fire-safety will be built into all structures. The Conference has established that less than a third of surveyed cities have any building laws at all, and that most existing codes are at least 20 years old and need drastic revision.

With this condition, it is little wonder that so far this year losses are running about 5 per cent ahead of 1949. If losses continue at the present rate, 1950 will go down as the worst fire year in history.

The National Fire Protection Association says that 90 per cent of all fires can be prevented and loss from the remaining 10 per cent appreciably lowered through greater use of fire resistive construction.

If building codes are drafted to provide the greatest possible degree of fire-safety, a natural corollary will be to eliminate numerous personal injury hazards because this goes hand-in-hand with good construction practices.

While it is true that many reputable builders incorporate fire-safety and personal safety into the structures they erect, strict laws are regarded as the only means of insuring this universally.

Architects, engineers and builders have learned a lot during the past 20 years about conditions which cause fire damage and they are eager to incorporate preventive measures in their building plans. Building material manufacturers have constantly improved their products and developed new ones. As a result, many materials are used in home construction today that did not exist a few years ago or were considered impractical or too expensive for home building. Metal window and door frames, steel studding and joists, fire resistive and structurally-stronger building-boards, siding, roofing and floorings are a few such materials available to today's home builder.

Design of stairs, placement of overhead pipes, arrangement of doorways and other traffic-control factors, lighting, storage space, driveway and walk arrangements are some of the factors that have been considered in making a safer home.

Build Them Fire Proof

The other big item of fire prevention is a fire-safe construction. This can be attacked by a general tightening up of building codes and the passage of codes where none exist, all experts agree. Some communities have made drastic code revisions in recent years as new building materials have been developed. An increasing number are now following suit as they realize that fire danger is getting out of hand.

A growing use of fireproof and fire-resistant materials in new construction is apparent. But the surface has barely been scratched. While reputable architects and builders write such requirements into their specifications, building code provisions covering the subject are required to make all builders conform with the best fire-safe construction practices.

The item of fire barriers within walls and beneath the roof is a case in point. Insurance adjusters repeatedly find that flames have raced up between the wall studs because no firestops were provided. On the other hand, where a naturally non-combustible insulation material such as mineral wool was present in the walls, fires have often been confined to small areas.

Confinement of fire to the place where it starts is all-important. Fire department officials say that in controlling a fire the first five minutes are worth the next five hours.

Solid blocks of gypsum at intervals between the studs comprise the best fire-barrier within walls. Short pieces of 2x4 lumber nailed horizontally in place between studs also will prevent the wall from becoming a natural flue. Obviously it is impossible to install such solid fire-barriers within walls of existing buildings, but fire departments have found that mineral wool insulation blown into the walls will have the same effect. By the same token, fires starting above a ceiling insulated with mineral wool have been slowed or stopped entirely on reaching the insulation, holding the damage to a minimum.

National Bureau of Standards says that a wood-lath wall filled with this material will halt the passage of fire for one hour, and following tests conducted at Columbia University, the New York City Bureau of Buildings approved the use of mineral wool "where fire retarding is required under provisions of the building code and the multiple dwelling law."

Thermal insulation likewise helps prevent over-heated heating equip-

Fire losses are mounting and it looks like a bad year, maybe the worst in history. Lending institutions have a stake in this problem. One thing needed, everyone will agree, is more modern codes. Another is the use of more fire resistant materials and here the surface has probably only been scratched. Mr. Wingate tells specifically just what can be done and how. It's something for every lender to consider because cutting fire losses is a goal much to be desired. Mr. Wingate is a well known architectural engineer and writer on fire prevention.

ment—a leading cause of fire—by ending the need for forced firing since the insulation prevents the escape of heat and the house is more comfortable with less fuel.

Insulation of human-occupied buildings is now regarded as an essential element of construction by the U. S. Bureau of Mines, which says that the use of products made from rock, slag and other mineral sources "is generally preferable because of their resistance to fire, electrical short-circuits, moisture, vermine, termites and decay."

The use of rock lath as a plaster base—widely used today in new construction—also is expected to go a long way toward reducing the annual fire loss, since this material is highly fire-resistant.

Most home fires originate in the basement. This is because the heating plant is usually located there, together with electric fuse boxes, gas meters and water heater. Also it is the place where the paint is used in the home workshop; and many do their dry-cleaning there with flammable liquids (which, of course, should never be done indoors).

For these reasons, many architects recommend that the basement ceiling be covered entirely with a fire-resistant material such as cement or gypsum plaster on metal or rock lath. The various kinds of fire-resistant building boards which have a mineral base also are good for the purpose and are inexpensive. Mineral wool batts can be fastened between the joists and then concealed with any desired ceiling finish, or left exposed if it is not desired to finish off the basement.

A solid flush-type door at the head of the basement stairs is another precaution that architects advise to prevent the spread of flames from the basement area. An ordinary door with thin center panels will burn through in a few minutes. The solid door will hold back a fire for hours. Metal doors are ideal and are coming into fairly wide use for this purpose.

Such a door is valueless, however, unless it is kept closed at all times. An open stairway is one of the most serious hazards for the spread of flames.

There are other responsibilities which devolve upon the householder for fire-safety in his basement. Combustible materials should never be placed near furnace or water heater. Ashes should be kept in metal containers. Furnace and flues should be expertly inspected and cleaned yearly and repairs made promptly. Any chimney which is too hot to comfortably hold the hand against is a dangerous fire hazard because it can ignite any combustible material it touches. This is one of the principal causes of roof and attic fires which so often break out where the chimney bricks are in contact with wooden sheathing or framing. Chimney should be insulated at joint where it passes through or near wood flooring and members on each floor.

Since non-combustible roofs began to be required by local laws over 20 years ago, fires starting outside the house from chimney sparks and other causes have steadily declined. However, there are still too many homes with wood shingle or other flammable roofs. Often the shingles are curled up at end, providing an ideal lodging-place for sparks which will smoulder until the roof blazes.

(Continued back inside cover)

COMPLETE SLATE TO BE PRESENTED AT MBA ANNUAL ELECTION IN DETROIT ANNOUNCED BY COMMITTEE

Milton T. MacDonald for MBA president in 1950-51 and Aubrey M. Costa for vice president will head the slate which the nominating committee will present at the annual meeting and election of officers at the Detroit convention. Mr. MacDonald is vice president of the Trust Company of New Jersey, Jersey City, and Mr. Costa is president of the Southern Trust and Mortgage Company, Dallas. Their nominations were reported in the June issue. The nominating report will be given by Norman R. Lloyd of Cleveland, chairman of the committee which also includes Dean R. Hill of Buffalo, Allyn R. Cline of Houston, George H. Dovenmuehle of Chicago and G. Calvert Bowie of Washington, D. C.

For regional vice presidents the report will include these new nominations:

W. A. Clarke, president, W. A. Clarke Mortgage Co., Philadelphia.

Walter Gehrke, president, First Federal Savings & Loan Association, Detroit.

Stanley H. Trezevant, president, Stanley H. Trezevant & Co., Memphis.

Andrew S. Love, vice president, Edward K. Love Realty Co., St. Louis.

A. H. Cadwallader, Jr., president, Mortgage Investment Corporation, San Antonio.

Harold F. Whittle, president, H. F. Whittle & Co., Los Angeles.

W. R. Johnston, president, W. R. Johnston & Co., Inc., Oklahoma City.

Renominated for regional vice presidents are:

Amos G. Hewitt, Amos G. Hewitt Mortgage Co., New Haven.

Howard S. Bissell, president, Howard S. Bissell, Inc., Cleveland.

Brown L. Whatley, president, Stockton, Whatley, Davin & Company, Jacksonville, Fla.

W. Robert McMurray, vice president, Commonwealth, Inc., Portland, Ore.

Earl Linn, president, Weitz-Linn Investment Company, Des Moines.

Regional vice presidents are elected for two year terms.

Nominations for members of the board of governors for terms ending in 1954 include:

E. R. Haley, president, General Mortgage Corporation of Iowa, Des Moines.

Howard B. Moffitt, vice president, Realty Mortgage and Sales Company, Oklahoma City.

Joseph M. Miller, president, Miller Mortgage Company, Inc., New Orleans.

Lindell Peterson, president, Chicago Mortgage Investment Company, Chicago.

H. Duff Vilm, president, H. Duff Vilm Company, Indianapolis.

Walter Scott, vice president, Scott & McCune, Inc., Pittsburgh.

Roland H. Thomssen, treasurer, Clapp-Thomssen Co., St. Paul.

NEW MBA MEMBERS FOR YEAR NOW TOTAL 220

Like Old Man River, MBA's membership campaign keeps rolling along —but running is a better word for the pace that has been set and is being maintained. So far in this Association year ending on August 31, 220 new members have been admitted, and the Membership Committee under the direction of E. R. Haley of Des Moines, assisted by the Membership Qualifications Committee headed by George H. Dovenmuehle, is not relaxing its efforts.

New members previously unreported include:

COLORADO, Denver, J. F. McNaul, Jr.

FLORIDA, Miami, Southeastern Mortgage Company; West Palm Beach, Cornelius Insurance Agency

(Continued next page)

WE SUGGEST YOU CHECK CONVENTION PLANS NOW

Before you get away for the summer or begin to do the things most of us do during the warm months, better check your MBA Convention plans just to be sure you haven't overlooked anything—especially these things:

» First, have you processed your hotel reservation form, received a confirmation and are all set? If not, don't delay because we are experiencing a heavy demand for accommodations. Suites at the two headquarters hotels, the Statler and Book Cadillac are exhausted and both hotels have already allocated more space than they originally agreed to do — and more than is customary. Everyone will be accommodated satisfactorily but your request should be in.

» Second, have you processed your advance registration form? No? Then get it in at once because it is essential that your name and your firm's name be shown in the advance list to appear in the program. You know the value of appearing on this advance list.

» Third, going to that University of Michigan-Michigan State football game at Ann Arbor on Saturday, September 30 following the Convention close?

Then send your check to the headquarters office for the tickets you wish at $3.60 each. You must hurry on this because our allotment of tickets depends on the University's willingness to give them to us—and they will have to know quickly how many to reserve.

ILLINOIS, East St. Louis, Sexton Realty Company; Rockford, Ward Mortgage & Realty Company

KANSAS, Wichita, The Commercial Savings and Loan Association

MASSACHUSETTS, Malden, Malden Savings Bank

MICHIGAN, Detroit, Wolverine Mortgage Company

MISSOURI, Nevada, Farm and Home Savings and Loan Association; St. Louis, Community Federal Savings and Loan Association, Western Life Insurance Company; University City, Caroline Realty Company

NEBRASKA, Lincoln, First Federal Savings & Loan Association of Lincoln; Omaha, T. H. Maenner Company

NEW JERSEY, Hoboken, Hoboken Bank for Savings

NEW YORK, New Rochelle, Leslie B. Kull, Inc.

NORTH CAROLINA, Charlotte, Booth Realty Mortgage Company

OHIO, Youngstown, The Builders and Investors Mortgage Loan Co.

OKLAHOMA, Oklahoma City, Frates Purdy Mortgage Co., Inc.

PENNSYLVANIA, Philadelphia, Main and Company

TEXAS, Houston, Alltex Home Finance Corporation, R. T. Bruce Mortgage Co.; San Angelo, Runge & Hardeman, Attorneys at Law

WASHINGTON, Everett, Spriestersbach Realty Company

WEST VIRGINIA, Charleston, Beattie-Firth Inc.; Huntington, B. C. Clark Realty Co.

WILLIS R. BRYANT IS NEW N. CALIF. HEAD

Willis R. Bryant, assistant vice president of the American Trust Company, San Francisco, was elected president of the Northern California MBA at the group's annual meeting.

Willis M. Holtum of the Equitable Life Assurance Society of America, was elected vice president; Harold D. Edelen of the Northwestern Mutual Life Insurance Co., secretary, and Kirk Whitehead of Mason - McDuffie Co., treasurer.

W. R. Bryant

For the board of directors: Henry Ehlers, vice president, Crocker First National Bank; Eugene S. Cox, Pacific Mutual Life Insurance Co.; William R. Aydelott, Wm. Stanwell Co.; A. D. Norris, president, Norris, Beggs & Simpson; and James Alger, Marble Mortgage Co.

Speakers were William A. Marcus, senior vice president, American Trust Co., who spoke on "A Banker Discusses Mortgage Lending Today," and J. Arthur Younger, vice president and manager of the Citizens Federal Savings and Loan Society, who talked on "It Is Later Than You Think."

The West Coast is going to be seeing a good deal more of MBA in the future than it has in recent years. During the past ten years we have only had one Clinic in San Francisco and Los Angeles. With a much more comprehensive meeting program planned for the West Coast, Secretary George H. Patterson, with G. H. Knott, met with members of the Northern California MBA in San Francisco to make some initial plans along these lines.

At the initial meeting in San Francisco, arranged by Mr. Bryant, were Ward Armstrong, Mason-McDuffie Company; E. D. O'Brien, American Trust Company; Mr. Whitehead; Mr. Cox; Mr. Edelen; Mr. Ehlers; Mr. Norris; Mr. Aydelott; Mr. Alger; and Fred Widmann, supervisor, mortgage loans, Pacific Mutual Life Insurance Company.

Yes, if you are one of those MBA members who have been clamoring to have a meeting on the West Coast, you are going to get your wish.

EPTER IS 3RD TERM NEW YORK MBA HEAD

Lawrence A. Epter, president, Lawrence A. Epter & Associates, Inc., was re-elected president of the New York MBA for the third consecutive term and Albert E. Berkeley, vice president, Berkeley-Judelson, Inc., was elected vice president. Eugene J. McCarthy, assistant treasurer, The County Trust Co. of Westchester, was named secretary and treasurer. Mr. Epter's selection for the third term was made possible by a special amendment to the Association's by-laws. Harry Huter, assistant vice president, Bay Ridge Savings Bank, and Hugo Steiner, Stern, Lauer & Co., were elected board members for three-year terms and William E. Walker, Jr., New York State manager, Lawyers Title Insurance Company, was elected for a two-year term.

L. A. WHITE CINCY HEAD

Lewis A. White, a founder of the Cincinnati MBA and its first president in 1938, is back for more of the same. He's just been elected president again for the coming year. William Franz was named vice president, Clair Kennedy secretary and Stanley Glazer treasurer

PHILIPSBORN SAYS NEW HOUSE LAW MUST WORK

Every mortgage banker ought to pause and think considerably just what the Housing Act of 1950 means, what it embraces and how best it can be made to work, H. F. Philipsborn, president of H. F. Philipsborn & Co., told members of the Chicago MBA at their third educational meeting this year.

"Remember," he declared, "we have narrowly escaped direct government lending. The new legislation must work. We can't afford to let the government have reason to say 'you failed; now we will have to do the job.' "

Principal FHA and VA officials from the Chicago offices of the agencies comprised a panel group that discussed phases of the new law.

PHILADELPHIA CLINIC ONE OF YEAR'S LARGEST

FHA, servicing, rental housing and MBA's program featured the discussion at the large Spring Clinic of the Philadelphia MBA, MBA Vice President Milton T. MacDonald spoke on the outlook for the mortgage industry based on the new housing legislation and MBA's own program, Walter L. Greene, deputy FHA Commissioner, spoke on FHA policies and plans and Maurice R. Massey, Jr., president, Peoples Bond and Mortgage Company, spoke on rental housing. Lemuel J. Holt, secretary, W. A. Clarke Mortgage Company, talked on "What Type of Posting for Your Records, Hand or Mechanical?" and Edmund N. Bacon, executive director, City Planning Commission, talked on the result of studies affecting the central city zone of Philadelphia.

It was one of the largest local mortgage Clinic meetings held this year as the top photo shows. Below, at the speakers' table, left to right are—David Bloom, treasurer, Philadelphia MBA; Charles I. Engard, VA guaranty officer; William T. Walsh, president, Philadelphia MBA; Mr. Massey; Mr. Greene; Gordon M. Burlingame, vice president, Philadelphia MBA; Mr. Bacon; Mr. MacDonald; Leo A. Kirk, FHA State Director; and Mr. Holt. Mr. Burlingame was chairman of the committee arranging the meeting which also included Mr. Bloom, John J. Harrington, Robert Irving, Mr. Massey, Edward McConnell, James J. McHugh, Jr., Harry Norman, C. Armel Nutter, Russell C. Rosenfelt, M. F. Townsend and Mr. Walsh.

ERRORS the VA says AVOID

These are the ones which cause the delay in processing of claims and may result in partial or total loss of the guaranty, according to the VA

YOU may have made these errors in VA loans; and if you haven't, this may be the warning you need to avoid them. Thomas J. Sweeney, assistant director of the VA loan guaranty service, listed for *The Mortgage Banker* these common errors being made by holders in handling G.I. loans. These are the ones that cause the delays in processing of claims and which may result in a partial or total loss of the guaranty.

1. Variance between the information supplied on the loan report and the terms of the security instruments.

a. In some cases the loan report reflects that the loan is to be repaid on an amortized basis whereas at the time the claim is filed and a copy of the note and mortgage submitted it is revealed that the note is payable on demand or was drawn for a short duration in contemplation of periodic renewals. Before such claims may be processed for payment it is necessary that we determine the claim to be acceptable under the provisions of Section 36:4308 (d). Any mortgagee in possession of such instruments should have them reformed before the loan defaults.

b. There are a number of cases in which no provision was made acceleration of maturity of the entire indebtedness in the event of default. Most of the mortgages provide that in the event of default the security may be liquidated, but this does not result in acceleration of maturity of the debt. Upon default, the holder may make claim on the matured installments and will receive payment as the installments mature. In cases of this kind the instruments should also be reformed and proper provision made for acceleration of maturity before default occurs.

2. Failure of holders to furnish VA with appropriate advices. Some holders have failed to supply VA with the following advices required by the regulations:

a. *Advices of Extensions.* The flexibility of VA regulations permits the adjustment of mortgage terms to fit the borrower's changing paying ability where such action is justified. Any extension of the terms of a loan must be accomplished by written agreement, an advice of which shall be promptly sent to the VA (Regulation 36:4314).

b. *Notice of Default, VA Form 4-6850.* This form has been provided for furnishing VA with notice of default on all guaranteed or insured loans. If the notice is given by other means the holder will be requested to furnish a completed Form 4-6850 in order that VA will have the benefit of the information requested thereon. The regulations at Section 36:4315 set forth the time requirements with respect to furnishing the local loan Guaranty Officer with the notice of default. Failure to furnish the notice during the prescribed period may result in a partial loss on the guaranty or insurance (Regulation 36:4325 (b) (4)). A supply of Form 4-6850 may be obtained from any VA regional office.

c. *Notice of Intention to Foreclose. VA Form 4-6851.* This form has been provided for the purpose of notifying the VA of notice of intention to foreclose or to take other action to terminate the debtor's rights in the security. If the Notice of Intention to Foreclose is given by other means, the holder will be requested to furnish a completed Form 4-6851. The regulations at Sections 36:4316 and 36:4317 set forth the requirements with respect to furnishing the local Loan Guaranty Officer with the notice. Failure to give proper notice may result in a reduction in the amount of guaranty or insurance (Regulation 36:4325(b)(5)). A supply of Form 4-6851 may be obtained from any VA regional office.

d. *Submission of all procedural papers and Notice of Sale.* The regulations at Section 36:4319 set forth the requirements with respect to furnishing copies of procedural papers and Notice of the Sale in connection with the liquidation of security for guaranteed and insured loans. Failure to furnish the VA with such papers may result in a reduction of the amount of guaranty or insurance (Regulations 36:4325(b)(6)).

e. *Claim under Loan Guaranty or Insurance, VA Forms 4-1874 and 4-1875, respectively.* In order to avoid delays in the processing of claims occasioned by the return of claim forms for correction and/or completion, care should be taken to see that the forms are completed in detail in accordance with the instructions appearing thereon. *In those cases where a holder is submitting its first claim it should request the regional office to furnish it with instructions for the proper procedure to follow in submitting the claim. Likewise, where a considerable period of time has elapsed since a holder has submitted a claim, it should check with the regional office in order to be sure that it has a correct understanding of the procedure to be followed in this respect.* The VA is presently revising the claim forms 4-1874 and 4-1875

with the hope of obviating the necessity for detailed statements of account. Explanatory Technical Bulletins will accompany the revised forms when they are distributed.

f. *The date of payment of all charges* included in a claim or in a final statement of account should be indicated and each expense item should be identified clearly on the statement of account and should be supported by paid bills, where such bills are obtainable. Otherwise, the payment of the claim and/or acceptance of transfer of the property may be delayed to the extent of the time required to obtain clarifying information.

3. *Errors occurring in liquidation and conveyance of properties.*

a. If the holder bids in excess of the specified amount the accounting is based on the bid and the holder *does not have an option* of conveying the property to VA (Regulations 36:4320(a)(3XIII).

b. If a third party acquires the property for less than the specified amount the holder is, nevertheless, accountable to VA for the specified amount and the holder will thus lose the difference between the specified amount and the bid.

c. If the holder desires to transfer the property to VA it must notify VA of its election no later than 15 days following the date of sale. If it fails to do so, the holder loses its election to convey the property and the accounting will be based on the specified amount.

d. Any charges not specifically enumerated in Section 36:4313 (b) are not allowable unless the prior approval of VA is obtained. Therefore, if the holder expects to incur charges which are not specifically enumerated he should request approval thereof by the VA before the expense charge is incurred.

4. *In construction loan cases* holders have sometimes relied on the statements of the contractor or veteran with respect to the work which has been completed and have thus violated the provision of VA Regulations which states that the holder may not disburse more than 80% of the value of that portion of the construction performed. *If this occurs, the holder loses all rights to the guaranty.* Also great care must be exercised in order to see to it that no mechanic's or material men's liens are permitted to come into being.

5. *In cases where the loan was made in whole or in part for alterations, repairs or improvements to realty* some holders have not exercised sufficient supervision over the disbursement of loan funds or over the work to be performed with the result the loan funds are disbursed and the repairs, alterations or improvements are not completed in accordance with the original plans and specifications. In such cases the holder may lose all or a part of its guaranty depending upon the nature of the case and the extent to which the repairs, alterations or improvements are incomplete.

6. *Before obtaining a deed in lieu of foreclosure* the holder must obtain the consent of VA. (Section 36:4320 (c)). In requesting such approval all of the pertinent details should be set forth including advices with respect to whether the consideration for the deed will be a discharge of the Mortgagor's indebtedness. The holder should take no action which will result in a release of any obligor unless the prior approval of VA is obtained.

7. *SECTION 36:4332 PROVIDES THAT ANY NOTICE REQUIRED BY THE REGULATIONS TO BE GIVEN THE VA MUST BE IN WRITING.*

Holders should give attention to the foregoing suggestions with a view to avoiding any delays they may be experiencing in the processing of claims under guaranty or insurance and in completing the transfer of properties to VA. The suggestions should be reviewed in conjunction with (1) the applicable sections of the regulations as referred to; (2) Section V of the "Lender's Handbook" as revised in December, 1948 and; (3) VA Technical Bulletins 4A-13, 58, 67 and 75.

N. Y. SAVINGS BANKS PURCHASES OF FHAs

The FHA savings banks legislation in New York has been in effect nearly a year and results show a rather impressive program of purchases. New York banks have invested or committed for $255,021,179 of FHAs as of May 31 under legislation passed last July. All of these are 608s except for $1,400,000 of 203s and 603s.

Institutional Securities Corporation, New York, is or will be the mortgagee on these loans and hold them for the account of the savings banks under trust agreements. The various trust estates and agreements are:

Trust estates under administration (63)	$ 50,905,585
Trust agreements executed (142)	155,899,194
Trust agreements in process..	48,216,400
	$255,021,179

These FHAs cover properties in 28 states, District of Columbia and Alaska. Forty-five New York savings banks are currently participating in the program.

All loans are at 4 per cent with the exception of one 608 at 3½ per cent and $500,000 of 203s at 4½ per cent. Servicing is from $\frac{1}{16}$ to ⅛ of 1 per cent for the 608s but on the $1,400,000 of 203s and 603s, servicing is at the usual ½ of 1 per cent. On the latter, the fee of Institutional Securities Corporation is ¼ of 1 per cent instead of $\frac{1}{16}$ of 1 per cent as for the trust estates covering the 608s. Consequently, yields on small 4 per cent loans would be at 3.25 per cent. The yield of 3.50 per cent on 4 per cent FHA mortgage investments is a bit low on the larger 608s; a more accurate statement would be to describe a range of from 3.50 per cent to 3.75 per cent.

Notes About the Business

Nearly 60 per cent of all new homes built last year were financed with conventional loans, says a United States Savings and Loan League study. The organization's total for new homes started is 987,300, an all-time record high of course but a little less than the million figure being used by the builders.

The study showed that conventional loans accounted for 59.9 per cent of all mortgages with another 31.6 per cent FHA and the remaining 8.5 per cent VA.

MID-INCOME BEING SERVED

It would be interesting to know how well the private mortgage industry is serving the so-called "middle income" group. We suspect all right but data on the entire industry isn't available. One group, the National Savings and Loan League, found that the bulk of savings and loan funds are financing homes for people with incomes under $4,500 a year. Their special survey shows that 71 per cent of home financing funds for families with incomes under $4,500 and of that amount, 45 per cent went to families with incomes under $3,500.

BIGGER AND BIGGER

Outstanding home mortgage debt on one to four family non-farm homes reached an all-time high of $37.2 billion at the end of 1949.

Although this is 11 per cent more than the debt 12 months before and constitutes a record high, the rise during 1949 was somewhat less than in 1948.

The debt is now almost double the pre-depression peak of $19.6 billion, reached in 1930, but the relative rise appears much less if allowances are made for increases in population and price levels.

Present debt averages about $1,200 for all non-farm families, as against $850 in 1930—a rise of 40 per cent, which closely approximates that shown in consumer prices over the same period. Therefore, the current per family debt, if related to 1930 purchasing power, approximates the high point reached at the end of the boom of the '20s.

About $14.8 billion, or two-fifths of the present debt on homes, is underwritten by FHA or the VA. At the beginning of the current building boom four years ago, home mortgages backed by FHA or VA totalled about $4.2 billion, representing one-fifth of the mortgage debt.

During 1949 each of the major types of lenders expanded its mortgage holdings. Increases ranged from 20 per cent for life insurance companies to 7 per cent for banks.

Prediction to watch: that 501s will be selling at a premium in six months, according to many who expressed themselves at the Spring MBA governors meeting—or sooner, according to others.

BOOM TO CONTINUE

The boom in housebuilding probably will last two or three more years at present prices—and it might be "permanent" if the quality of the houses improves, *Fortune* predicts. The building boom is "the crucial prop" beneath the great post-wa. boom as a whole.

Some elements of the building boom (commercial, industrial and utilities construction) are past their first postwar peak; on the other hand, road building is gathering momentum, and much public construction is likely to stay at a high level.

"But housing is the thing that everyone is watching. The $7 billion worth of new housing that will probably be put up this year may be directly responsible for as much as $3 billion worth of new neighborhood shopping centers, streets and highways, power lines, schools, churches. And all this activity is a prime influence on industrial plant expansion, from the carpet business to copper.

"Today's housing 'speculator' is the taxpayer, who has so far underwritten (through government mortgage insurance) about $15 billion out of a total of $38 billion in mortgage debt on one to four-family houses; and the taxpayer may be wondering how his account stands."

Fortune is reassuring: "There are several reasons for believing that the taxpayer's risk is a reasonably sound one.

"Now spaced out over 20 to 30 years, monthly payments on small houses are almost universally competitive with rents on comparable space and frequently cheaper. Rents would have to go way down before families trying to economize would give their houses back to the banks and look for apartments.

"What would be more likely, in the event of really hard times, would be that some householders would simply sit tight and tell the banks they were sorry they couldn't meet the payments. Since mass foreclosures are probably a political impossibility, whichever party is in office, the lenders would be taken care of by the government and the 'owners' would have their payments deferred. It is worth remembering that HOLC, which bailed out so many people in the thirties, has now recovered all but $179 million of the $3.5 billion that was once owed to it.

"Short of a deep depression, in which everybody would take a licking anyway, it would not seem that the taxpayer has taken on any very disturbing liability in housing. And by assuming such liability as he has, he may well be helping to prevent or at least postpone a slump."

W. WALTER WILLIAMS TO MAKE RACE FOR SENATE

An active mortgage man, one who has given his entire business career to mortgage lending, may be sitting in the United States Senate in the next session. This possibility results from the announcement that W. Walter Williams, president of Continental, Inc., Seattle, and former president of MBA, has entered the race for the Republican senatorial nomination in the State of Washington. If nominated, he will run against Sen. Warren Magnuson, Democrat, in the Fall; and if elected, he will be, as far as THE MORTGAGE BANKER can determine, the first mortgage banker ever to be elected a United States senator. Other fields, such as the real estate and savings and loan industries, have had representatives in congress in the sense that active real estate men and savings and loan association men have served in congress. Consequently there have been men in congress who could reflect the attitude of these industries from their own experience. But never before, as far as could be determined, has mortgage lending been represented by a man whose own business career has been in that field.

W. Walter Williams

This will be Mr. Williams' first venture into the political arena. Recently he has been chairman of the Committee for Economic Development, a post to which he succeeded when his friend, Paul H. Hoffman, resigned to become ECA administrator. He had been active in the CED since its inception and under his administration it has continued to be one of the most influential private groups in the country.

Out in his home city of Seattle, he has held just about every important position to which a citizen could aspire including the presidency of the Chamber of Commerce and Rotary. During the war he was chairman of the Washington State Defense Council and president of the War and Community Chests.

In his announcement, Mr. Williams said he had reached his decision to enter the senatorial race at the behest of friends—and after long and studied consideration of the crucial problems facing the American people today.

"Difficult and complex problems can be solved only by a vigorous and forthright attack upon them," his announcement of candidacy stated.

On the domestic front, he warned that "unsound policies" call for correction to restore the conduct of the government to tested principles.

"People throughout the nation are beginning to fear the so-called foreign policy which has led us into cold war and to the brink of World War III," he said.

He said that the trend of economic waste continues in governmental operations, and "there is increasing realization that continuance of such trends must surely result in eventual suffering and heartache for Mr. Average Man and his family.

"It is my studied belief that the peoples' anxiety rising from all this can be replaced with a feeling of calm confidence and deep-rooted assurance by providing vigorous leadership based on sound principles, well reasoned intelligence, moral and spiritual convictions and bold courageous action."

NEED HOME CONSTRUCTION

(Continued from page 9)

Exterior walls of fire-resistant material also help prevent fire spreading to the interior from outside. This does not necessarily mean brick, stucco or concrete, because today many asbestos and other highly fire-resistant siding materials are available in clapboard, shingle or brick and stone effects.

Although office buildings have long used steel door and window frames, the use of these in homes on a wide scale has developed only recently. These can be given any desired finish and their use eliminates that much more combustible material from the structure. The use of steel studding adds further fire-safety to houses, and is being used in increasing volume by better builders.

One item frequently passed up unless the local building code makes specific regulations is fire-retardant construction of the garage. Particularly is this necessary when the garage is attached to the house. Because of the presence of oil and gasoline, it is imperative that effective fire-barriers be placed between garage and house wall. Engineers state that fireproof mineral wool will attain the desired result at low cost.

People in the mortgage lending field would do well to bear in mind that many improvements can be made to eliminate structural fire hazards from older houses. The use of mineral wool as a fire barrier in walls is highly important and practical. At the same time, it usually pays for itself within a few heating seasons because of the fuel savings it makes possible.

As in new homes, the basement ceiling can be given a fire-resistant treatment without great expense. And if the old heating plant is inefficient or in poor repair, it is advisable to replace it. Most houses erected during the last big building boom years ago are still using the original heating plant and on inspection these are often found to have cracked fireboxes and other defects caused by constant and heavy use.

Fire-resistant roofs and siding are another means whereby fire danger of the older house can be reduced.

If it is pointed out to a householder that no insurance policy can fully cover a loss, since it cannot replace heirlooms or other like possessions, nor does it cover the expense and inconvenience of finding new living quarters, he will probably seriously consider taking as many precautions as possible to reduce his hazards.

PEOPLE AND EVENTS

Donol F. Hedlund has been elected president of Carroll, Hedlund and Associates, Inc. of Seattle. He succeeds to the position held by the late J. L. Carroll. . . . Stockton, Whatley, Davin & Company has opened an additional office in St. Petersburg, Fla., with Edward A. Judge, manager, assisted by James W. Stephens.

Metropolitan Life announced plans to raze all of its present home office in New York except the Tower and replace with a modern office structure. Demolition will be done in sections to avoid any work stoppage.

Transamerica Corp. acquired Manufacturers Casualty Insurance Co. of Philadelphia, a net premium institution of about $10,000,000. It will retain its own identity but will be a companion company for Pacific National Fire Insurance Company, with which Paramount Fire recently became affiliated.